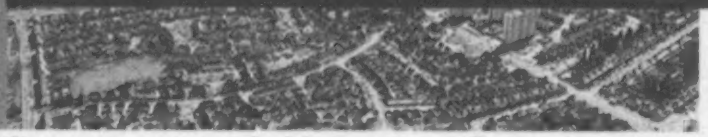
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Barrie CMA



Canada Mortgage and Housing Corporation

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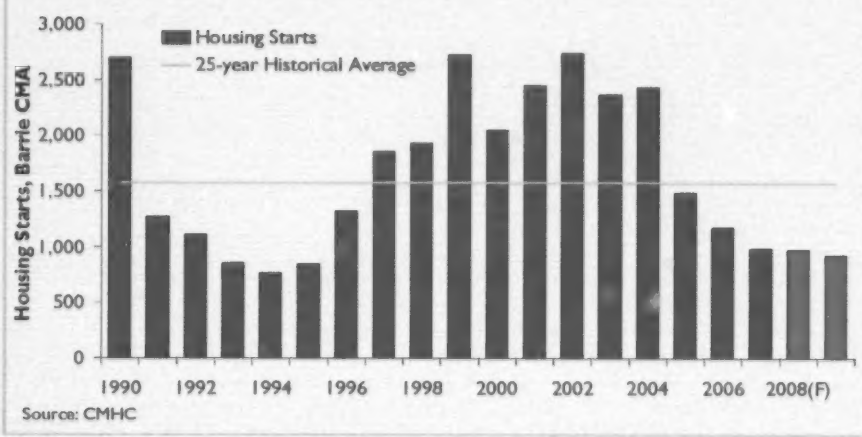
New Home Market

Market Beginning to Show Signs of Weakening

New home construction is expected to continue to decrease over the next two years with new housing starts falling by one per cent in 2008 (to 970 units) and a further 5.2 per cent in 2009 (to 920 units). New construction of single-detached homes will continue to be a significant but declining proportion of total starts. An increased proportion of total starts will come from other types of housing. Apartments will make up the majority of higher-density construction accounting for over 15 per cent in 2008 (150 units) and over 18 per cent (170 units) in 2009. Over the next two years a sizeable number of semi-detached

Figure 1

Housing Starts Move Lower



Source: CMHC

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and rowhouses will continue to be built but at decreasing rate. Construction on rowhouses and semi-detached homes will total 80 units (8.2 per cent of total construction) in 2008 and 50 units (5.4 per cent of total construction) in 2009.

Barrie's suburbs have continued to grow. Areas such as Springwater and Innisfil have seen increases in new home construction as issues such as less land availability in Barrie City and some resident's need for bigger homes have made them relocate to these suburbs. For example, compared to first quarter last year where just over 32 per cent of total starts (or 50 starts) came from Barrie's suburbs, first quarter results this year indicate that over 53 per cent of total starts (or 112 starts) were built there.

The decline in the amount and the shift in types of housing being built reflects both less abundant land for development and also more interest in less expensive housing by home purchasers. With a high number of listings available in the resale market over the last few years, many individuals were able to find housing that met their needs at a lower price in the resale market and opted to purchase an existing home. Others who wish to purchase a new home but can not afford a single-detached home may opt for the less expensive housing types such as rowhouses or apartments. The strong growth of the 25-44 year-old group suggests that first-time buyers are still a significant factor in the Barrie housing market.

The average price of a single-detached home in the Barrie CMA will rise by 11 per cent to $346,000 in 2008 and by an additional 3.6 per cent to $359,000 in 2009. Continued migration into the region is keeping demand strong enough to support continued price growth. However, an increasing focus on larger single-detached homes is also pulling up the average price.

Resale Market

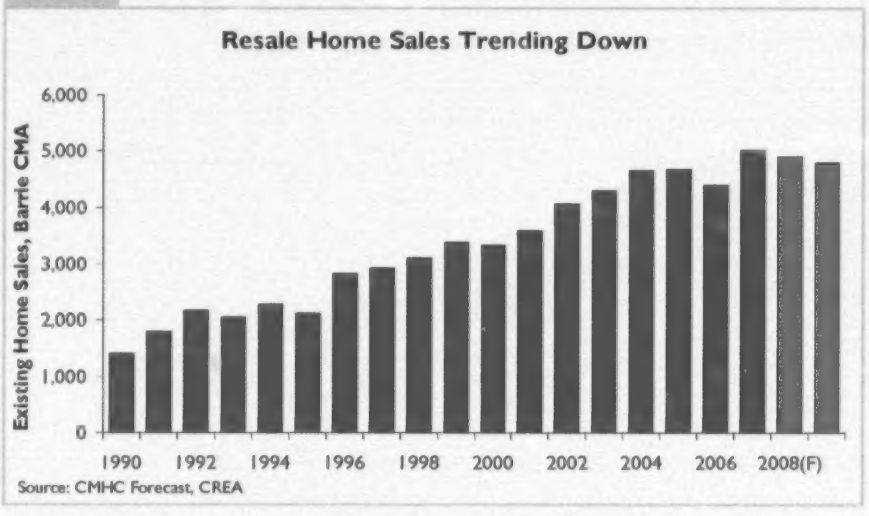
Barrie Still a Seller's Market

Home sales are expected to decrease by 2.3 and 2 per cent over 2008 and 2009 respectively. After a record year in 2007, the sales decline expected over the next two years is due in part to continued price growth. Prices are still lower than in other nearby markets, notably Toronto, but current price levels have begun to have an adverse effect housing demand.

New listings are expected to flatten over the next few years as well, staying in the 7,800-7,900 range. Rising prices tend to draw out more listings, and with price growth projected to slow, listings are expected to ease.

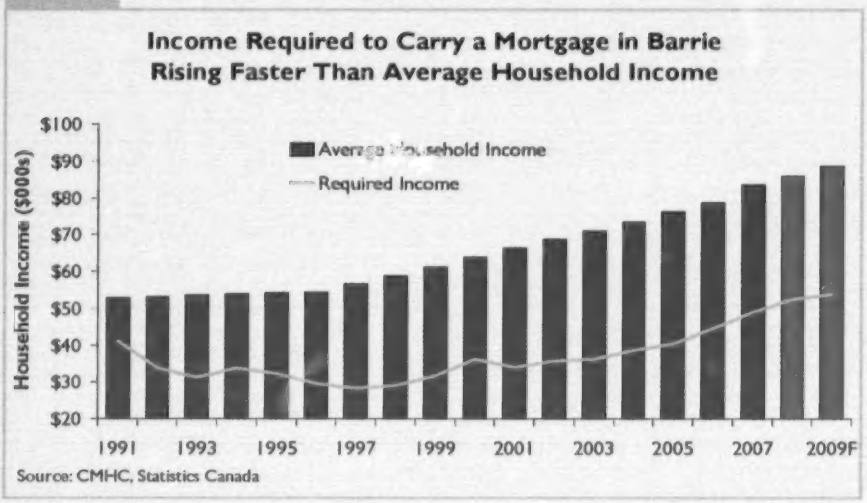
The Barrie resale home market will continue to be in seller's[1] market territory this year and next year, but will begin to move closer towards balanced market conditions. As a result, resale home prices in Barrie will see some growth this year and next but not as strong as in 2007, a record year for the region. The average price of a resale home is forecast to increase by 4.2 per cent (to $270,000) and by 3.2 per cent in 2008 and 2009 respectively.

Figure 4



[1] The sale to new listings ratio (SNLR) is a proxy measure for the interplay between demand (sales) and supply (new listings) in the market. A market with an SNLR above 55 per cent is classified as a seller's market while a market with an SNLR between 35 and 55 per cent is classified as a balanced market and a market with an SNLR below 35 per cent is considered a buyer's market. In a balanced market demand is relatively equal to supply, prices tend to grow at the rate of inflation, and homes are not sold as quickly as in a seller's market.

Figure 3



One reason for the shift from a seller's market to a balanced market is the narrowing gap between actual household incomes[2] in the area and the income required[3] to carry the mortgage[4] on an average-priced home. Since 2003, actual household incomes have failed to keep pace with the increasing costs of homeownership due to rising home prices and mortgage rates. As a result, housing demand is easing.

Economic Trends

Labour Market Continues to Grow

Continued employment growth over the next few years, albeit not as strong as previous years, will continue to promote housing demand in the short-run but with high prices, fewer starts and listings, an increased number of individuals may opt to remain renters until housing market conditions become more favourable.

Employment will grow by 1.2 and 1.0 per cent respectively over the next two years. The majority of growth will come from full-time employment, and employment of people in the 25-44 and 45-64 year old age ranges. Although the 45-64 year old range, a group associated with "move-up" buying behaviour, is a large group, the strongest growth will be coming from the 25-44 year range. This group includes many first-time buyers, who will continue to be a significant factor in the Barrie home market. For example, in the years between 2005 and 2007 employment in the 25-44 age group has grown by over 6 per cent while growth in the same period for the 45-64 age group has grown by just over 5 per cent. Also, since 2004, the number of employed individuals in the 25-44 age range as a percentage of all employed individuals has grown from just over 50 per cent to close to 60 per cent in 2007. Some of the growth in the labour market can also be explained by strong in-migration.

At an industry level, all key industries in the region grew between 2000 and 2006. In general, the region's goods-producing sector grew by 17.9 per cent (industries such as manufacturing, and agriculture) and the services sector (combination of industries such as finance and real estate, education, health, etc.) grew by 28.4 per cent. Employment in all industries except trade, transportation and construction has increased in the recent past. The slowdown in trade and transportation can be attributed to increased energy costs, and the high Canadian dollar, and in the case of construction a slightly less active new housing market.

Employment in the manufacturing sector has been growing recently. The main reason for this growth is the significant investments made by Honda in the region over the last few years. Given Honda's sizeable employment of Barrie workers and the company's increased market presence, this region's manufacturing sector should continue to prosper in the foreseeable future unlike other regions in Ontario.

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[2] CMHC, adapted from Statistics Canada (Census) and (Labour Force Survey)

[3] Required income is annualized mortgage carrying costs divided by 32 per cent, reflecting lenders' standard gross debt service requirement.

[4] Based on 25 year amortization, a 25 per cent down payment, and the average of all posted fixed five-year mortgage rates.

Population Growing Strongly

According to the latest census, the Barrie CMA population grew by 19.2 per cent between 2001 and 2006. All age groups grew significantly, with a few reporting very robust growth. The 20-24 age range grew by 25.2 per cent, the 45-64 age range by 40 per cent, and the over 65 age range by 25.3 per cent.

From 2005 to 2007, an average of close to 7,000 migrants have settled in the Barrie CMA. This trend should continue with 6,500 more migrants expected to settle in Barrie in 2008 and 2009 respectively. As a whole, these factors have assisted in making Barrie the region with the second lowest median age of all metropolitan areas in Ontario.

Mortgage Rates Will Remain Relatively Flat

Posted mortgage rates eased by about 50 basis points in the first four months of this year, although rates in late April were 30 to 35 basis points higher than they were 12 months prior. Mortgage rates are expected to trend marginally lower throughout 2008, but will be within 25-50 basis points of their current levels. For 2009, posted mortgage rates will begin to drift up slightly as the year progresses. For 2008 and 2009, the one-year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five-year posted mortgage rates are forecast to be in the 6.75-7.50 per cent range.

Figure 4

Mortgage Rates Will Remain Relatively Flat

Source: Bank of Canada

Forecast Summary Barrie CMA Spring 2008	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	4,675	4,397	5,017	4,900	-2.3	4,800	-2.0
MLS® New Listings	7,451	8,001	7,871	7,900	0.4	7,850	-0.6
MLS® Average Price ($)	232,045	244,394	258,999	270,000	4.2	278,000	3.0
New Home Market							
Starts:							
Single-Detached	1,219	972	746	740	-0.8	700	-5.4
Multiples	265	197	234	230	-1.7	220	-4.3
Semi-Detached	48	26	14	10	-28.6	10	0.0
Row/Townhouse	217	109	127	70	-44.9	40	-42.9
Apartments	0	62	93	150	61.3	170	13.3
Starts - Total	1,484	1,169	980	970	-1.0	920	-5.2
Average Price ($):							
Single-Detached	252,715	307,948	329,505	346,000	5.0	359,000	3.8
New Housing Price Index (% chg. Ontario)	4.6	3.7	2.6	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	2.1	2.8	3.2	2.7	-	2.3	-
Two-bedroom Average Rent (October) ($)	909	906	934	949	-	963	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-	6.83	-
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-	6.97	-
Annual Employment Level	97,025	99,375	100,575	102,000	1.4	103,000	1.0
Employment Growth (%)	8.7	2.4	1.2	1.4	-	1.0	-
Unemployment rate (%)	4.8	6.1	5.0	4.9	-	4.9	-
Net Migration (Simcoe County) (1)	7,255	6,509	6,500	6,500	0.0	6,500	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = apartments 3+
(1) 2007 migration data is forecasted

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